

## Message Text

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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AMEMBASSY MADRID

AMEMBASSY LISBON

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E.O. 11652: N/A

TAGS: ETRD, SP, PO

SUBJECT: AMB. WALKER TRIP TO SPAIN AND PORTUGAL: STATE OF  
CONSULTATIONS ON GSP

REF: LANDE/GRAEF TELCON

1. SPAIN

A. WE HAVE PRESENTED GOS WITH LIST OF 62 PRODUCT  
CATEGORIES WHICH WE BELIEVE ARE THE MOST IMPORTANT ONES  
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UNDER WHICH WE HAVE CONCLUDED THAT U.S. EXPORTS ARE SUF-

FERING SIGNIFICANT ADVERSE EFFECTS FROM REVERSE PREFERENCES ACCORDED TO EC. (TOTAL SPANISH IMPORTS UNDER THESE CATEGORIES WERE 629 MILLION DOLLARS IN 1975 OF WHICH 101 MILLION DOLLARS WAS FROM THE U.S.) MAIN PROBLEM IS EC PREFERENTIAL RATE IS TIED TO MFN RATE, AND GOS CANNOT ELIMINATE PREFERENCE MARGIN WITHOUT REDUCING MFN TARIFF TO ZERO.

B. GOS AGREED DURING CONSULTATION IN NOVEMBER 1975, AS A STEP TOWARD ELIMINATING THE SIGNIFICANT ADVERSE EFFECT OF REVERSE PREFERENCES, TO REDUCE ITS MFN TARIFF--AND, HENCE, ITS PREFERENCE MARGIN--ON 38 OF THE 62 PRODUCT CATEGORIES. WE HAVE INSISTED THAT THE SIGNIFICANT ADVERSE EFFECT WOULD HAVE TO BE ELIMINATED ON SUBSTANTIALLY ALL THE PRODUCT CATEGORIES.

C. FOR THE REMAINING 24 CATEGORIES WE HAVE SUGGESTED THAT THE GOS NEGOTIATE A LIMITED WAIVER OF THE PREFERENCE MARGIN WITH THE EC. THE EC WILL OBTAIN TARIFF REDUCTIONS ON THE OTHER 38 ITEMS AS COMPENSATION. GOS DOES NOT BELIEVE SUCH AN APPROACH WOULD SUCCEED.

D. WE HAVE ACHIEVED GENERAL AGREEMENT ON THE TEXT OF A POSSIBLE EXCHANGE OF NOTES, BUT THE DISCUSSIONS HAVE BEEN STALLED BY THE LACK OF AGREEMENT ON THE 24 REMAINING PRODUCTS.

## 2. PORTUGAL

A. WE HAVE GIVEN THE GOP A LIST OF 17 PRODUCT CATEGORIES COVERING THE MOST IMPORTANT EXPORTS WHICH WE BELIEVE ARE SUFFERING A SIGNIFICANT ADVERSE EFFECT FROM REVERSE PREFERENCES ACCORDED TO THE EC. (TOTAL PORTUGUESE IMPORTS UNDER THESE CATEGORIES WERE 117 MILLION DOLLARS IN 1973, OF WHICH 17 MILLION DOLLARS WAS FROM U.S.) THE AGREEMENT BETWEEN PORTUGAL AND THE EC GIVES PORTUGAL THE FLEXIBILITY TO CHANGE ITS MFN TARIFF WITHOUT CHANGING THE EC PREFERENTIAL RATE.

B. THE GOP IS ENGAGED IN AN INTERAGENCY REVIEW OF LIMITED OFFICIAL USE

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THE COSTS AND BENEFITS OF MAKING THE TARIFF CHANGES IN ORDER TO BE DESIGNATED A GSP BENEFICIARY. WHILE WE HAVE NOT BEEN OFFICIALLY TOLD OF THE RESULTS OF THE REVIEW, AMBASSADOR CARLUCCI WAS CALLED IN BY THE MINISTER OF EXTERNAL TRADE ON FEBRUARY 28 TO UNDERLINE THE STRONG GOP INTEREST IN BEING DESIGNATED A BENEFICIARY. WE WILL OFFER TO CONSULT WITH THE GOP IN WASHINGTON IN LATE MARCH OR DURING APRIL IF GOP READY. THE GOP SEEMS WILLING AND ABLE

TO TAKE THE NECESSARY ACTION TO BECOME ELIGIBLE FOR GSP.

3. ABOVE IS FOR YOUR BACKGROUND FOR YOUR FORTHCOMING VISIT.  
PLEASE ADVISE IF FURTHER INFORMATION DESIRED. KISSINGER

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